

Message Text

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ACTION EB-08

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SUBJ: CIVAIR: U.S.-KOREA NEGOTIATIONS

REFS: A. STATE 216482, B. SEOUL 5328, C. SEOUL 3234

1. KCAB HAS INFORMED EMBASSY THAT DIRECTOR GENERAL KCAB SUH WON BAE WILL NO LONGER HEAD KOREAN DELEGATION TO SEPTEMBER CIVAIR TALKS. NEW DELEGATION IS BEING FORMED: WE WILL ADVISE DEPARTMENT WHEN NAMES RECEIVED.
2. AS NOTED REF B THE PRINCIPAL CONCERN OF THE KOREAN NEGOTIATORS WILL BE TO OBTAIN LANDING RIGHTS IN CHICAGO AND NEW YORK WITH POSSIBLE BEYONDS TO LATIN AMERICA. WE HAVE LEARNED THAT THE CHICAGO, NEW YORK STOPS WILL BE THE MINIMUM FOR ANY SUCCESSFUL NEGOTIATION.
3. AS THE DEPARTMENT WELL KNOWS, U.S. CARRIERS IN SEOUL ARE SUBJECTED TO MANY PETTY DISCRIMINATIONS IN FAVOR OF THE "NATIONAL FLAG CARRIER". ONE IS THE EXPORT LICENSE PROCEDURE DISCUSSED AT LENGTH IN REFTEL C. ALTHOUGH THERE HAVE BEEN NO COMPLAINTS ON THIS MATTER IN RECENT MONTHS SINCE EMBASSY REPRESENTATIONS, ALL WE HAVE IS A VERBAL STATEMENT FROM ROK CUSTOMS ADMINISTRATION THAT IT

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IS "NOT COMPULSORY FOR SHIPPERS TO OBTAIN KAL ENDORSEMENT". (SEOUL 4046) THIS IS A MATTER IN WHICH FORMER PRACTICE CAN EASILY BE RESUMED.

4. FOREIGN CARRIERS ARE REQUIRED TO ACCEPT ONLY U.S. DOLLARS FOR CARGO SHIPMENTS VALUED AT MORE THAN \$100. KAL, HOWEVER, CAN RECEIVE WON CURRENCY PAYMENTS. IN

ADDITION, FOREIGN CARRIERS ARE REQUIRED TO PURCHASE JET FUEL IN U.S. DOLLARS WHILE KAL HAS RECEIVED A "SPECIAL EXEMPTION" TO PAY IN WON CURRENCY.

5. THE ROKG IS GOING AHEAD TO CONSTRUCT A CARGO TERMINAL AT KIMPO WITH ALL CARGO AGENTS, WAREHOUSE COMPANIES, AIRLINES, CUSTOMS, ETC. HOUSED IN THE BUILDING AND ALL CARGO HANDLING UNDERTAKEN BY A GOVERNMENT APPOINTED MONOPOLY HANDLING COMPANY. FLYING TIGERS HAS MADE A COUNTER PROPOSAL SUPPORTED BY THE EMBASSY, TO CONSTRUCT A \$2.5 MILLION FACILITY FOR THEIR OWN USE NEXT TO THE PROPOSED CARGO TERMINAL. TO SWEETEN THE OFFER FTL WOULD MAKE THIS THE CENTER OF ITS EAST ASIA OPERATIONS BY MOVING OPERATIONS FROM NARITA TO SEOUL. IN LIGHT OF THE PRESIDENT'S OBJECTIVE TO IMPROVE AND FACILITATE AIR CARGO OPERATIONS IN FUTURE CIVAIR NEGOTIATIONS, WE BELIEVE SUPPORT OF FTL'S POSITION WOULD BE PROPER AT THE FORTHCOMING NEGOTIATIONS.

6. IN THE PAST THERE HAS BEEN SOME SCHEDULING PROBLEMS AS A RESULT OF THE DESIGNATION OF KOREAN AIRLINES AS THE SCHEDULE COORDINATOR FOR THE KCAB. ALTHOUGH WE HAVE NO RECORD OF ANY ACTUAL DISCRIMINATION AGAINST U.S. CARRIERS, THE LATTER BELIEVE THAT KAL AS COORDINATOR HAS THE OPPORTUNITY, IF IT SO DESIRES, TO PLACE U.S. OR OTHER AIRLINES AT A COMPETITIVE DISADVANTAGE.
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7. IN CONCLUSION, WE RECOMMEND THAT ARTICLE 7 OF THE BILATERAL DISCRIMINATORY PRACTICES BE REVISED IN SUCH A MANNER AS TO PERMIT A BROADER BASIS FOR REPRESENTATIONS ON PRACTICES NOT ENUMERATED IN THE ARTICLE AND TO PROVIDE FOR MORE EQUAL TREATMENT AND OPPORTUNITY TO CARRIERS WITHIN THE COUNTRY AS WELL AS ON THE ROUTES COVERED BY THE AGREEMENT.
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